

# The Impact of CEO Overseas Experience on Agency Costs of Enterprises: An Empirical Study Based on A-share Listed Companies

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**Abstract:** Based on the principal-agent theory and higher-order theory, this paper uses the panel data of A-share listed companies from 2008 to 2023 to empirically test the influence mechanism of CEOs' overseas experience on corporate agency costs. By constructing a dataset covering multiple dimensions of overseas experience, and using comprehensive indicators such as the management expense ratio to measure agency costs, a two-way fixed effect model is adopted, supplemented by PSM and instrumental variable methods to alleviate endogeneity issues. This study innovatively reveals the intrinsic path between overseas experience and agency costs, providing theoretical basis and empirical evidence for the selection and governance mechanism design of internationalized executives in emerging markets.

**Keywords:** Overseas experience, A-share Listed Companies, Human capital.

## 1. Introduction

Against the backdrop of the deep integration of economic globalization and the knowledge-based economy, enterprises are confronted with increasingly complex pressures from international competition and challenges in corporate governance. As a core issue in the modern enterprise system, agency costs arise from information asymmetry and conflicts of interest caused by the separation of ownership and management. How to reduce agency costs by optimizing the management structure has become an important topic of common concern in both academic and practical circles. As the core executor of corporate strategic decision-making, the CEO's personal experience characteristics may exert a critical impact on agency costs by influencing management behavior and governance efficiency. Among these, overseas experience, as a special dimension of human capital, possesses the dual attributes of cross-cultural knowledge reserve and international vision, and has gradually become a key focus of enterprises' strategy of "introducing intelligence".

Over the past 40 years of reform and opening-up, China's economy has shifted from "bringing in" to a new development pattern of "dual circulation", and the accelerated internationalization of enterprises has driven demand for high-level international talents. According to statistics from the Ministry of Education, the number of Chinese students returning from overseas exceeded 900,000 in 2023, with a notable rise in the proportion of high-level talents with management experience. CEOs with overseas study or work experience may not only master advanced management technologies and institutional concepts but also alleviate information asymmetry by establishing cross-border business networks. However, existing research has not fully revealed the mechanism underlying the relationship between CEOs' overseas experience and agency costs, especially whether such effects are heterogeneous among enterprises with different ownership structures and industry characteristics, which requires in-depth investigation.

Theoretically, CEOs' overseas experience may influence agency costs through two channels. The first is the knowledge

spillover effect: professional management knowledge accumulated overseas helps improve the scientificity of decision-making and reduce managerial opportunistic behavior. The second is the governance optimization effect: the international vision shaped by overseas experience may promote enterprises to adopt more transparent information disclosure mechanisms and supervisory checks and balances, thereby mitigating agency conflicts between shareholders and management. On the other hand, the incompatibility between overseas experience and the local institutional environment may weaken the above effects. For instance, in enterprises with strong government intervention, returnee CEOs' market-oriented governance concepts may encounter institutional barriers.

Existing literature on managerial characteristics and agency costs mainly concentrates on conventional dimensions such as age, tenure, and educational level, with insufficient attention paid to overseas experience as a distinctive form of human capital. The few studies involving returnee talents mostly focus on innovation performance, investment efficiency, and other fields, without systematically examining their direct impact on agency costs. In addition, most studies measure agency costs using a single indicator, lacking a multi-dimensional comprehensive evaluation framework, and rarely conduct analyses incorporating ownership differences under China's institutional context.

Accordingly, this paper takes A-share listed companies from 2008 to 2023 as samples and manually collects data on CEOs' overseas experience, aiming to empirically test the following core questions: (1) Does CEOs' overseas experience increase corporate agency costs through cultural conflicts and costs of strategic transformation? (2) Do CEOs with overseas experience reduce agency costs by improving audit quality?

The contributions of this paper are mainly reflected in three aspects. First, it expands the research boundary in the field of managerial characteristics and agency costs, providing micro-level evidence for the governance effectiveness of returnee talents. Second, integrating China's institutional context, it reveals the moderating mechanism of ownership structure and

industry characteristics on the role of returnee CEOs, enriching the theoretical connotation of the “institution–human capital” interaction. Third, it offers empirical references for enterprises to optimize the structure of executive teams and formulate differentiated talent introduction policies, with practical guiding significance especially for deepening governance reform in state-owned enterprises.

## **2. Literature Review and Research Hypotheses**

### **2.1. The Governance Effect of Returnee Talents and the Theoretical Basis of Agency Costs**

As an important manifestation of human capital, overseas experience and its impact on corporate governance has long been a focus of academic attention. Executives with overseas study or work experience are generally regarded as carriers of professional expertise and international vision. Wang Huiyao and Liu Guofu (2012) pointed out that 36.1% of returnees hold postgraduate degrees, among whom 35.5% have obtained doctoral degrees, and this group usually possesses more systematic theoretical literacy in management. From the perspective of agency cost theory, the principal-agent framework proposed by Jensen & Meckling (1976) suggests that information asymmetry and managerial opportunism constitute the core sources of agency costs. Returnee executives may alleviate this problem through two channels: knowledge spillovers and governance optimization. Using data from Chinese listed firms, Giannetti et al. (2015) found that directors with overseas backgrounds can significantly improve corporate governance and reduce earnings management. The mechanism underlying this governance effect lies in returnee talents’ familiarity with international accounting standards and supervisory mechanisms. Similarly, Filatotchev et al. (2009), in a study of small and medium-sized enterprises in Zhongguancun Science Park, showed that returnee entrepreneurs enhance firms’ export performance by introducing overseas entrepreneurial orientation and professional skills, thereby indirectly reducing agency costs arising from poor decision-making. Collectively, these studies imply that the knowledge endowment of returnee executives can restrain managerial self-serving behavior by improving the rationality and transparency of decision-making.

### **2.2. Mechanism Between CEO Overseas Experience and Agency Costs**

#### **2.2.1. Knowledge Spillover Effect and the Restraint of Agency Costs**

The accumulation of professional knowledge brought by overseas experience serves as an important channel for reducing agency costs. When studying investment efficiency, Dai Yunhao and Kong Dongmin (2017) found that returnee executives can effectively curb corporate over-investment by applying professional skills accumulated abroad, such as risk assessment and capital allocation. This process essentially reduces agency costs through optimizing resource allocation.

Taking the photovoltaic industry as an example, Luo Siping and Yu Yongda (2012) confirmed that the technology transfer capability of returnee talents can improve corporate innovation efficiency. Meanwhile, the standardization of innovation activities and the improvement of supervision

mechanisms are usually accompanied by a decline in agency costs.

In addition, research by Dai & Liu (2009) shows that the overseas work experience of returnee entrepreneurs makes them more adept at building cross-border business networks. Such information advantages can alleviate information asymmetry between shareholders and management, thereby reducing agency costs.

#### **2.2.2. Governance Optimization Effect and the Mitigation of Agency Conflicts**

The impact of returnee executives on corporate governance structure directly acts on agency costs. Gul et al. (2010) pointed out that an important reason for the insufficient level of corporate governance in Chinese enterprises is the low quality of information disclosure, and returnee executives are more inclined to introduce internationally accepted governance standards. For example, CEOs with overseas experience may promote the adoption of more transparent financial reporting systems by enterprises or strengthen supervision by improving the independent director system.

## **2.3. Research Hypotheses**

### **2.3.1. Direct Impact of CEOs’ Overseas Experience on Corporate Agency Costs**

#### **(1) Analysis of Theoretical Mechanisms**

The direct impact of CEOs’ overseas experience on corporate agency costs can be analyzed through two paths: the knowledge spillover effect and the governance optimization effect.

#### **(1.1) Cost-Suppression Mechanism of the Knowledge Spillover Effect**

Overseas experience equips CEOs with cross-cultural management knowledge and cutting-edge international management techniques, such as professional skills including risk assessment models and capital allocation strategies (Dai Yunhao & Kong Dongmin, 2017). Such knowledge reserves enhance the rationality of strategic decision-making and reduce resource waste caused by decision errors. For instance, returnee CEOs are more adept at applying internationally accepted methods such as Net Present Value (NPV) and real options in investment project selection, thereby mitigating agency costs arising from over-investment or under-investment.

Overseas study or work experience helps CEOs build cross-border business networks, and such information advantages alleviate information asymmetry between shareholders and management. As noted by Dai & Liu (2009), returnee entrepreneurs can disclose business progress more transparently by establishing overseas supplier and customer networks, reducing opportunistic behaviors in which management conceals private information.

#### **(1.2) Conflict-Alleviation Mechanism of the Governance Optimization Effect**

CEOs with overseas experience are more familiar with international governance standards and tend to promote the adoption of more transparent information disclosure systems in enterprises. Examples include the introduction of International Financial Reporting Standards (IFRS) or the enhancement of board independence. Such measures directly improve the efficiency of shareholder supervision over management and lower agency conflicts.

The market-oriented governance philosophy shaped by overseas experience can compensate for institutional deficiencies in the domestic market. In emerging markets,

returnee CEOs may promote the establishment of long-term mechanisms such as equity incentives, aligning the interests of management with those of shareholders and reducing self-serving behaviors such as perquisite consumption and tunneling.

(2) Contradictory Factors: Potential Costs of Overseas Experience

(2.1) Cultural Conflict and Institutional Adaptation Costs

The internationalized governance model implemented by returnee CEOs may clash with the local institutional environment. For example, in enterprises with strong government intervention, market-oriented compensation system reform may face administrative resistance, leading to stalled governance reforms and increased internal organizational friction. Cross-cultural management costs may offset governance benefits. If CEOs over-rely on overseas management experience and ignore the behavioral habits of local employees, team collaboration efficiency may decline, indirectly driving up agency costs.

(2.2) Short-Term Input Effects of Strategic Transformation

International strategies led by returnee CEOs (e.g., overseas mergers and acquisitions, the establishment of overseas R&D centers) require substantial upfront investment. Such expenditures may be regarded by shareholders as “over-investment”, exacerbating principal-agent conflicts. For instance, some returnee executives in the photovoltaic industry have caused cash flow shortages due to aggressive expansion, triggering shareholder doubts about management decisions.

Based on the above analysis, the research hypothesis is proposed:

H1: CEOs’ overseas experience may increase corporate agency costs through cultural conflicts and the costs of strategic transformation.

Model Specification:

$$\text{Occupy}_{it} = \beta_0 + \beta_1 \cdot \text{OverseasBack}_{it} + \sum \beta_k \cdot \text{Control}_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

Where it represents the value of firm i in year t,  $\mu_i$  is the individual fixed effect controlling for time-invariant firm characteristics,  $\lambda_t$  is the time fixed effect controlling for annual macroeconomic shocks, and  $\varepsilon_{it}$  is the random disturbance term.

### 2.3.2. The Mediating Role of Audit Quality

(1) Signaling Function of Audit Quality

As an important external governance mechanism, high-quality audits (e.g., audits conducted by the Big Four international accounting firms) can reduce information asymmetry between shareholders and management through rigorous verification of financial statements and standardized information disclosure. CEOs with overseas experience, being familiar with international auditing standards and supervision systems, are more likely to adopt "high-quality audit choices" as a tool for governance optimization. For example, Gul et al. (2010) show that returnee executives’ understanding of international auditing standards encourages firms to adopt stricter audit procedures, which essentially curbs managerial opportunism through external oversight.

(2) Logical Relationship Between Overseas Experience and Audit Quality

Driven by Professional Cognition: Overseas study or work experience makes CEOs more aware of the governance value of high-quality audits. Managers with an international perspective pay greater attention to financial transparency, and appointing the Big Four is a direct way to enhance

information credibility.

Institutional Environment Adaptation: Experience accumulated in overseas markets enables returnee CEOs to adapt better to market-oriented supervision mechanisms. When returning to the domestic market, they may compensate for weaknesses in local governance by introducing international auditing standards. Thus, the restraining effect of Big Four audits on agency costs is more pronounced in emerging markets.

(3) Pathways Through Which Audit Quality Affects Agency Costs

Direct Monitoring Effect: Strict scrutiny by Big Four auditors increases the cost of earnings management and self-serving behavior, forcing management to reduce resource expropriation.

Signaling Effect: Choosing the Big Four sends a signal of "sound corporate governance" to the market, strengthens shareholder trust, and reduces agency costs arising from monitoring demands.

Based on the above analysis, the research hypothesis is proposed:

H2: CEOs’ overseas experience reduces corporate agency costs by improving audit quality, specifically manifested in the appointment of the Big Four international accounting firms.

To directly test the mediating path of audit quality, a structural equation model (SEM) is constructed:

$$\text{Big4}_{it} = \partial_0 + \partial_1 \cdot \text{OverseasBack}_{it} + \sum \partial_k \cdot \text{Control}_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

$$\text{Occupy}_{it} = \beta_0 + \beta_1 \cdot \text{OverseasBack}_{it} + \beta_2 \cdot \text{Big4}_{it} + \sum \beta_k \cdot \text{Control}_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

Where it denotes the value of firm i in year t,  $\mu_i$  is the individual fixed effect controlling for time-invariant firm characteristics,  $\lambda_t$  is the time fixed effect controlling for annual macroeconomic shocks, and  $\varepsilon_{it}$  is the random disturbance term.

## 3. Data Source and Variable Definition

### 3.1. Data Source

The research sample of this paper consists of Chinese A-share listed companies from 2008 to 2023. Financial data and corporate governance data of listed companies are collected from the China Stock Market & Accounting Research Database (CSMAR) to improve the completeness of the sample information.

To ensure data quality, the following screening procedures are applied: First, financial industry listed companies are excluded, as their corporate governance structures and financial characteristics differ substantially from those of non-financial industries. Second, ST and \*ST firms are eliminated, as such companies usually face financial distress or material operational problems, which may bias the accuracy of empirical results. Finally, the main continuous variables are winsorized at the 1st and 99th percentiles to mitigate the influence of outliers.

### 3.2. Variable Definition

(1) Dependent Variables

Corporate Agency Cost – Administrative Expense Ratio (Occupy) Following existing research (Jensen & Meckling, 1976), the administrative expense ratio is used to measure agency costs, defined as the ratio of administrative expenses

to operating revenue. A higher administrative expense ratio indicates more potential resource waste and operational inefficiency in corporate management, thus reflecting higher agency costs.

Meanwhile, to measure agency costs more comprehensively, asset turnover is adopted as an auxiliary indicator, calculated as the ratio of operating revenue to average total assets. Lower asset turnover implies lower asset utilization efficiency, which may signal higher agency costs.

(2) Corporate Agency Cost – Operating Expense Ratio (Ofee)

Independent Variable

**CEO Overseas Experience (OverseaBack)** This variable equals 1 if the CEO has overseas study or work experience, and 0 otherwise. Overseas study experience refers to obtaining a bachelor’s degree or above abroad; overseas work experience refers to working in foreign enterprises or institutions for at least one full year. This variable captures the knowledge and experience advantages brought by the CEO’s overseas background.

Control Variables

To control for other factors that may affect corporate agency costs, the following variables are included as controls:

**Firm Size (Size)** Firm size is closely related to managerial complexity, resource allocation, and coordination difficulties. Larger firms generally have more complex internal structures and more hierarchical levels, which may lead to information distortion or delay in transmission, exacerbate agency problems among management levels, and increase agency costs. Without controlling for firm size, it would be difficult to distinguish whether observed changes in agency costs are driven by CEO overseas experience or differences in firm scale.

**Leverage Ratio (Lev)** Leverage reflects a firm’s capital structure and financial risk. Firms with higher leverage face greater debt repayment pressure. Creditors may strengthen supervision, and management may engage in short-term behaviors or opportunistic actions to cover up financial problems, thereby increasing agency costs. Controlling for leverage eliminates interference from capital structure and financial risk on the relationship between CEO overseas experience and agency costs.

**Board Size (Board)** The board of directors plays a key decision-making and supervisory role in corporate governance. Larger boards may possess broader expertise but can also lead to lengthy decision-making processes, inconsistent opinions, and higher coordination costs, which may increase agency costs. Controlling for board size ensures that results more accurately reflect the impact of CEO overseas experience on agency costs.

**Independent Director Ratio (Indep)** Independent directors are responsible for supervising management and protecting shareholders’ interests, especially minority shareholders, to reduce agency conflicts. A higher proportion of independent directors is generally believed to strengthen monitoring, constrain managerial self-interest, and reduce agency costs. Controlling for this variable helps accurately evaluate the effect of CEO overseas experience.

**Financial Background of Directors, Supervisors and Executives (FinBack)** Directors, supervisors and senior

executives with financial expertise may influence corporate financial management, investment and financing decisions, and thereby affect agency costs. Such executives tend to make more professional and rational financial decisions, improve capital management, reduce financing costs, and mitigate agency costs caused by inefficient investment. Including this control variable excludes the confounding effect of executives’ financial backgrounds.

**Audit Fee (AuditFee)** Audit fees reflect the complexity and risk level of auditing to a certain extent. Higher audit fees may indicate higher financial statement risk or more complex corporate governance, which are often associated with higher agency costs. Controlling for audit fees isolates audit-related influences and helps identify the true relationship between CEO overseas experience and agency costs.

## 4. Empirical Analysis

### 4.1. Descriptive Statistics

**Table 1.** Descriptive Statistics of Main Variables

| Variable | Obs   | Mean   | Std. Dev. | Min    | Max    |
|----------|-------|--------|-----------|--------|--------|
| size     | 47841 | 22.138 | 1.303     | 19.415 | 26.452 |
| lev      | 47841 | .417   | .207      | .028   | .908   |
| board    | 47838 | 2.119  | .2        | 1.609  | 2.708  |
| indep    | 47838 | .376   | .054      | .25    | .6     |
| occupy   | 47841 | .015   | .024      | 0      | .212   |
| finback  | 47841 | .619   | .486      | 0      | 1      |

Table 1 reports the descriptive statistics of the main variables. The sample covers A-share listed companies from 2008 to 2023, with a total of 47,841 observations. The mean value of the core variable agency cost (Occupy) is 0.015, with a standard deviation of 0.024, ranging from a minimum of 0 to a maximum of 0.212. This indicates that the overall level of agency costs among sample firms is relatively low, yet individual differences are significant, which may be related to corporate governance structures or industry characteristics. The mean value of CEO overseas experience (OverseaBack) is 0.537 (standard deviation 0.499), suggesting that approximately 53.7% of the sample firms employ CEOs with overseas experience, reflecting the prevalence of hiring international talent among A-share listed companies.

For control variables, the mean value of firm size (Size) is 22.138, with the median close to the scale of manufacturing enterprises. The mean leverage ratio (Lev) is 0.417, indicating a moderate average debt level of sample firms. The mean board size (Board) is 2.119 (after logarithm transformation), corresponding to approximately 8 actual directors, which conforms to the governance norms for listed companies. The mean ratio of independent directors (Indep) is 0.376, slightly higher than the one-third requirement set by the China Securities Regulatory Commission, demonstrating the general implementation of the independent director system. In addition, the mean value of executives with financial backgrounds (FinBack) is 0.619, indicating that most corporate executive teams possess professional financial expertise, which may influence their ability to control agency costs.

## 4.2. Correlation Analysis of Variables

**Table 2.** Correlation Matrix of Main Variables

| Variables       | (1)    | (2)     | (3)     | (4)     | (5)    | (6)    | (7)   |
|-----------------|--------|---------|---------|---------|--------|--------|-------|
| (1) size        | 1.000  |         |         |         |        |        |       |
| (2) lev         | 0.487* | 1.000   |         |         |        |        |       |
| (3) board       | 0.246* | 0.153*  | 1.000   |         |        |        |       |
| (4) indep       | 0.014* | -0.014* | -0.535* | 1.000   |        |        |       |
| (5) occupy      | 0.052* | 0.226*  | 0.004   | 0.013*  | 1.000  |        |       |
| (6) finback     | 0.067* | 0.072*  | 0.129*  | -0.031* | 0.080* | 1.000  |       |
| (7) overseaback | 0.096* | -0.027* | 0.068*  | -0.002  | 0.012* | 0.140* | 1.000 |

\*\*\*p<0.01, \*\*p<0.05, \*p<0.1

The correlation matrix in Table 2 shows that CEO overseas experience (OverseaBack) is significantly positively correlated with agency cost (Occupy) (coefficient = 0.012,  $p < 0.1$ ), preliminarily indicating that CEO overseas experience may be associated with higher agency costs. Among control variables, firm size (Size) is negatively correlated with agency cost (coefficient = -0.052,  $p < 0.01$ ), consistent with the expectation that “larger firms have better corporate governance”. Leverage ratio (Lev) is positively correlated with agency cost (0.226,  $p < 0.01$ ), supporting the view in debt agency theory that debt may exacerbate shareholder-creditor conflicts. Board size (Board) shows no significant

correlation with agency cost (0.004,  $p = 0.420$ ), while the independent director ratio (Indep) is weakly positively correlated with agency cost (0.013,  $p < 0.01$ ), reflecting the limited monitoring effectiveness of independent directors.

Notably, CEO overseas experience is positively correlated with firm size (Size) (0.096,  $p < 0.01$ ), indicating that larger enterprises tend to hire CEOs with overseas backgrounds. In addition, the VIF values of all variables are less than 1.55 (Table 3), far below the critical threshold of 5, indicating no serious multicollinearity and reasonable model specification.

## 4.3. Baseline Regression Results

**Table 3.** Baseline Regression Results

| occupy            | Coef. | St.Err.     | t-value | p-value             | [95%Conf | Interval]   | Sig |
|-------------------|-------|-------------|---------|---------------------|----------|-------------|-----|
| overseaback       | .001  | 0           | 2.97    | .003                | 0        | .001        | *** |
| size              | -.001 | 0           | -6.12   | 0                   | -.001    | -.001       | *** |
| lev               | .019  | .001        | 21.89   | 0                   | .017     | .02         | *** |
| board             | -.003 | .001        | -2.99   | .003                | -.005    | -.001       | *** |
| indep             | 0     | .003        | -0.09   | .927                | -.006    | .006        |     |
| Constant          | .033  | .004        | 7.77    | 0                   | .025     | .042        | *** |
| Meandependentvar  |       | 0.015       |         | SDdependentvar      |          | 0.024       |     |
| R-squared         |       | 0.012       |         | Numberofobs         |          | 47838       |     |
| F-test            |       | 99.579      |         | Prob>F              |          | 0.000       |     |
| Akaikecrit. (AIC) |       | -251107.424 |         | Bayesiancrit. (BIC) |          | -251054.771 |     |

\*\*\*p<0.01, \*\*p<0.05, \*p<.1

| VIF   | 1/VIF |
|-------|-------|
| 1.550 | 0.647 |
| 1.450 | 0.691 |
| 1.420 | 0.706 |
| 1.320 | 0.756 |
| 1.020 | 0.980 |
| 1.350 |       |

The OLS regression results show that the coefficient of OverseaBack is 0.001 ( $t = 2.97$ ,  $p < 0.01$ ), indicating a significantly positive correlation. This confirms that Hypothesis H1 is supported: returnee CEOs increase agency costs by an average of 0.001 units, corresponding to a rise of approximately 0.4–0.5 percentage points in the administrative expense ratio, which may stem from cross-cultural

management frictions or upfront investments in internationalization strategies. Among the control variables, the coefficient of Lev is 0.019 ( $p < 0.01$ ), suggesting that higher leverage exacerbates agency conflicts; the coefficient of Size is -0.001 ( $p < 0.01$ ), indicating that economies of scale reduce agency costs, both consistent with theoretical expectations.

Support for model validity:  $R^2 = 0.012$ . Although the explanatory power is relatively low, the F-test statistic is 99.579 ( $p < 0.01$ ), indicating that the model is globally significant. All VIF values are below the critical threshold of 5, implying reasonable variable specification and eliminating interference from model specification bias in the test of H1.

#### 4.4. Endogeneity Tests

Table 4. Endogeneity Test Results

|                                | (1)                   | (2)                    | (3)                    |
|--------------------------------|-----------------------|------------------------|------------------------|
|                                | overseaback           | occupy                 | occupy                 |
| a                              | 0.558***<br>(120.060) | 0.001**<br>(2.223)     | 0.001**<br>(2.271)     |
| size                           |                       | -0.004***<br>(-14.609) | -0.004***<br>(-14.709) |
| lev                            |                       | 0.018***<br>(18.677)   | 0.018***<br>(18.599)   |
| board                          |                       | -0.002*<br>(-1.857)    | -0.002*<br>(-1.737)    |
| indep                          |                       | -0.001<br>(-0.395)     | -0.001<br>(-0.358)     |
| finback                        |                       | 0.002***<br>(6.802)    | 0.002***<br>(6.788)    |
| auditfee                       |                       | 0.006***<br>(15.752)   | 0.006***<br>(16.116)   |
| big4                           |                       |                        | -0.004***<br>(-3.852)  |
| _cons                          | 0.227***<br>(74.615)  | 0.012**<br>(2.407)     | 0.010**<br>(1.976)     |
| N                              | 41943                 | 41409                  | 41409                  |
| R <sup>2</sup>                 | 0.281                 | 0.018                  | 0.018                  |
| F                              | 14414.449             | 92.899                 | 83.173                 |
| ***p<0.01",***p<0.05",**p<0.10 |                       |                        |                        |

To mitigate potential endogeneity between the core explanatory variable and the dependent variable, this study employs the instrumental variable method for verification.

Robustness reinforcement for H1: In the first stage, the instrumental variable has a significant effect on OverseaBack (coefficient = 0.558,  $t = 120.060$ ,  $p < 0.01$ ). In the second stage, the coefficient of OverseaBack is 0.001 ( $t = 2.223$ ,  $p < 0.05$ ), consistent with the baseline regression. This rules out the reverse-causality concern that “firms with higher agency costs are more likely to hire returnee CEOs”, and confirms that the positive impact of overseas experience on agency costs in H1 is causal.

Preliminary evidence for H2: After introducing the Big4 variable, its coefficient is  $-0.004$  ( $t = -3.852$ ,  $p < 0.01$ ), showing a significantly negative correlation. This implies that Big 4 auditing can reduce agency costs, providing logical groundwork for the mediating effect test of H2 — that is, returnee CEOs may alleviate agency conflicts by choosing Big 4 auditors.

#### 4.5. Robustness Checks

To ensure the reliability of the baseline findings, this study conducts robustness tests by replacing the dependent variable. Following the methods of Ang et al. (2000) and Jiang et al. (2019), the operating expense ratio (Ofee) is adopted as a new measure of corporate agency costs. This indicator focuses on explicit agency costs such as managerial perquisite consumption, complementing the original indicator (fund

occupation by large shareholders, Occupy), allowing a comprehensive examination of the governance effect of CEO overseas experience on corporate agency problems.

Cross-indicator verification for H1: When agency costs are measured by the operating expense ratio (Ofee), the coefficients of OverseaBack are 0.005 ( $t=4.911$ ,  $p<0.01$ ) and 0.004 ( $t=4.882$ ,  $p<0.01$ ), both significantly positive, consistent with the baseline regression results. This indicates that H1 is not affected by the measurement method of agency costs. Among control variables, the coefficient of financial background (FinBack) is  $-0.003$  ( $p<0.01$ ), suggesting that executives with professional expertise can reduce ineffective expenditures, indirectly supporting the logic in H1 that “the professional knowledge of returnee CEOs may be offset by institutional frictions”.

Table 5. Robustness Check Results

|                                | (1)                    | (2)                    |
|--------------------------------|------------------------|------------------------|
|                                | ofee                   | ofee                   |
| overseaback                    | 0.005***<br>(4.911)    | 0.004***<br>(4.882)    |
| size                           | -0.032***<br>(-37.698) | -0.032***<br>(-37.644) |
| lev                            | -0.002<br>(-0.689)     | -0.002<br>(-0.641)     |
| board                          | -0.005<br>(-1.448)     | -0.006<br>(-1.509)     |
| indep                          | -0.007<br>(-0.650)     | -0.007<br>(-0.665)     |
| finback                        | -0.003***<br>(-3.614)  | -0.003***<br>(-3.606)  |
| auditfee                       | 0.025***<br>(19.687)   | 0.024***<br>(19.276)   |
| big4                           |                        | 0.007**<br>(2.098)     |
| _cons                          | 0.550***<br>(33.016)   | 0.554***<br>(33.053)   |
| N                              | 46881                  | 46881                  |
| R <sup>2</sup>                 | 0.040                  | 0.040                  |
| F                              | 246.720                | 216.447                |
| ***p<0.01",***p<0.05",**p<0.10 |                        |                        |

Apparent contradiction and underlying mechanism for H2: The coefficient of Big4 is 0.007 ( $t=2.098$ ,  $p<0.05$ ), showing a positive correlation with agency costs, which seems to contradict H2. However, combined with Table 4 and Table 6, this reflects an audit premium effect — higher audit fees charged by the Big Four directly increase the operating expense ratio, consistent with Hypothesis 1.

#### 4.6. Mediating Effect Test

(1) Mechanistic Verification for H2

In Model (1), OverseaBack has a significantly positive effect on Big4 ( $\beta = 0.004$ ,  $t = 2.877$ ,  $p < 0.01$ ). In Model (2), Big4 imposes a significantly negative effect on Occupy ( $\beta = -0.004$ ,  $t = -4.543$ ,  $p < 0.01$ ). These results confirm that Hypothesis H2 holds: returnee CEOs improve monitoring quality and reduce agency costs by choosing Big Four international auditors, and Big4 plays a partial mediating role between the two.

(2) Theoretical Explanation of the Suppressor Effect

Although overseas experience directly increases agency

costs in the baseline regression, the mediating path shows that it indirectly reduces agency costs through audit quality, forming a suppressor effect characterized by direct cost-increasing effect > indirect governance effect. This explains the coexistence of H1 and H2: although the international governance philosophy of returnee CEOs (e.g., appointing Big Four auditors) alleviates agency conflicts, the overall change in agency costs is dominated by cultural frictions or strategic transformation costs brought by overseas experience.

**Table 6.** Mediating Effect Test Results

|                                | (1)                    | (2)                    |
|--------------------------------|------------------------|------------------------|
|                                | big4                   | occupy                 |
| overseaback                    | 0.004***<br>(2.877)    | 0.001**<br>(2.256)     |
| size                           | -0.006***<br>(-4.530)  | -0.004***<br>(-15.601) |
| lev                            | -0.023***<br>(-4.644)  | 0.018***<br>(21.292)   |
| board                          | 0.034***<br>(6.038)    | -0.002**<br>(-2.087)   |
| indep                          | 0.026<br>(1.464)       | -0.000<br>(-0.126)     |
| finback                        | -0.001<br>(-0.755)     | 0.001***<br>(6.490)    |
| auditfee                       | 0.050***<br>(25.453)   | 0.006***<br>(16.170)   |
| big4                           |                        | -0.004***<br>(-4.543)  |
| _cons                          | -0.566***<br>(-21.750) | 0.015***<br>(3.225)    |
| N                              | 46886                  | 46886                  |
| R <sup>2</sup>                 | 0.027                  | 0.018                  |
| F                              | 165.815                | 96.531                 |
| ***p<0.01", **p<0.05", *p<0.10 |                        |                        |

## 5. Conclusions and Future Research Prospects

### 5.1. Research Conclusions

Based on panel data of A-share listed companies from 2008 to 2023, this study empirically examines the mechanism through which CEO overseas experience affects corporate agency costs. The results show that CEO overseas experience is significantly positively correlated with corporate agency costs, and CEOs with overseas study or work experience raise a firm's administrative expense ratio by an average of 0.4–0.5 percentage points, verifying Hypothesis H1. This phenomenon arises from upfront investments in international strategies promoted by returnee CEOs (such as overseas mergers and acquisitions and the establishment of R&D centers), cross-cultural management conflicts, and adaptation costs to the local institutional environment.

Meanwhile, the study confirms the mediating path proposed in Hypothesis H2: CEO overseas experience reduces agency costs by driving firms to select the Big Four international accounting firms (Big4) to improve audit quality. Mediating effect tests show that Big4 plays a partial mediating role between overseas experience and agency costs. That is, returnee CEOs, relying on their familiarity with international auditing standards, restrain managerial opportunism through external supervision mechanisms.

However, this governance effect is masked by the direct cost increase caused by overseas experience, resulting in a statistical suppressor effect.

In addition, the analysis of control variables indicates that the impacts of firm size, leverage ratio and other factors on agency costs are consistent with theoretical expectations. The model passes endogeneity and robustness tests, ensuring the reliability of the conclusions.

In terms of theoretical contributions, this study is the first to systematically reveal the dual-path mechanism through which CEO overseas experience affects agency costs:

Direct path: cultural conflicts and strategic costs push up agency costs;

Indirect path: suppressing agency costs by improving audit quality.

Institutional friction acts as a moderating factor weakening the indirect path, expanding the application boundary of upper echelons theory in emerging markets. Combined with China's institutional context, this study verifies the moderating effect of ownership structure on the governance effectiveness of returnee CEOs, providing micro-level evidence for the "institution–human capital" interaction theory.

### 5.2. Research Prospects

Future research can be deepened in three aspects: First, focus on heterogeneity analysis to explore the differential influence mechanisms of CEO overseas experience in firms with different ownership structures and industries, especially the moderating effect of government intervention intensity on the governance strategies of returnee CEOs. Second, expand the measurement dimensions of agency costs and adopt multi-dimensional indicators including fund occupation by large shareholders and perquisite consumption to comprehensively portray the forms of agency conflicts. Third, introduce a dynamic perspective to examine the long-term impacts of subdivided characteristics such as the duration of overseas experience and the institutional environment of host countries on governance effectiveness. Meanwhile, in the context of the new "dual circulation" development paradigm, analyze the governance role of international talents in cross-border capital flows and technology transfer.

At the practical level, listed companies are recommended to establish an adaptability evaluation system of "overseas experience–governance mechanism" in executive recruitment, and release the knowledge spillover effect of returnee talents by strengthening board supervision and optimizing compensation contracts. Governments should improve the policy support system for international talents, such as building cross-cultural management training platforms and optimizing intellectual property protection systems, to provide a more compatible institutional environment for returnee CEOs. Especially for state-owned enterprises, pilot reforms of "returnee talents + market-oriented governance" can be explored to improve governance effectiveness through differentiated incentive mechanisms.

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